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Teenage buying power: $46 billion
Child World primed for key selling season

Chain Store Age

GENERAL MERCHANDISE EDITION October 1982

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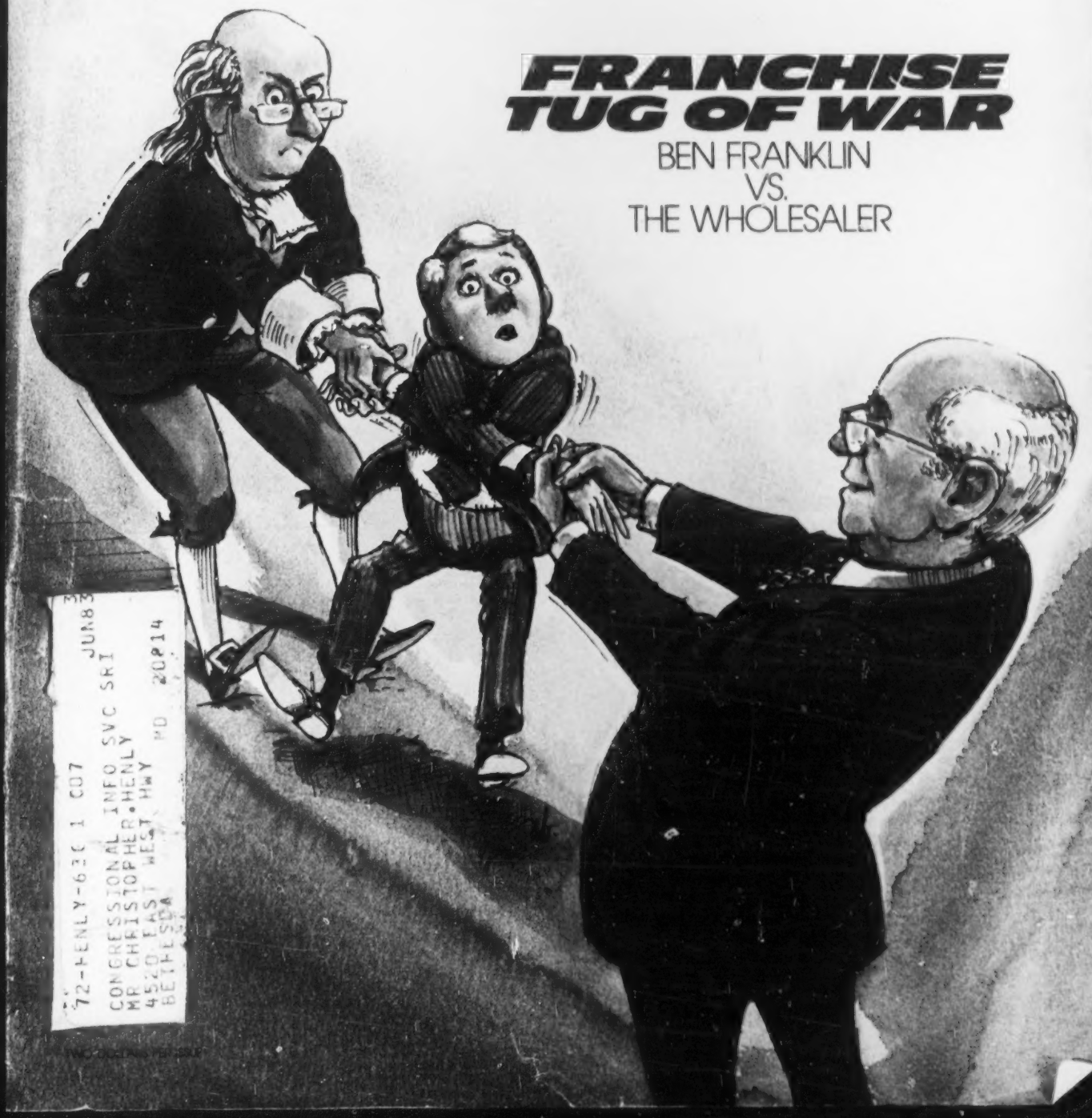
SECTION ONE



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Montgomery Ward

What do National City, Long Beach and San Mateo, Calif., have in common with Merrillville, Ind.? All are serving as test markets for Montgomery Ward's back-to-basics strategy. Chief exec Stephen Pistner's repositioning plans will combine the self-service efficiencies of discounting with his Impact program—making fashion statements with merchandise 25

Upscale magazines

Upscale publications embracing a magazine-style format have emerged as image-building vehicles for dept. stores. Sakowitz, Burdines, Jordan Marsh and Neiman-Marcus have all launched magazines in the mold of *Vogue* and *W*. Although not intended to replace traditional catalogs, in-store magazines may be the best way to target the young, upscale shopper ... 39

Teen buying clout

As consumers, teens represent a market segment with tremendous purchasing power and one just now developing its own shopping habits and patterns. Teens purchased a total of $42.6 billion in goods in 1981 and will spend an estimated $45.6 billion by year's end. Beneficiaries of this spending spree: entertainment, apparel and personal care products 58

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Teen buying clout, beyond their years

☐ Unsure, awkward, exciting, emotional, educational, enviable—just a few words often used to describe the teen years. For many merchants, however, the term teens represents a more practical and important association. As consumers, teens are a market segment with tremendous purchasing power and one just developing its own shopping patterns and habits.

"Teen Age Economic Power," a 1981 survey of 3,201 teens conducted by The Rand Youth Research Institute (a marketing research firm monitoring youth economic trends for 29 years), showed that teens purchased a total of $42.6 billion in goods in '81, up from 80's $39.1 billion, and will spend an estimated $45.6 billion by year's end. Big beneficiaries of this spending spree were items from the following areas: entertainment, apparel, foods and snacks, hobbies, records and tapes, magazines, books (hardcover and paperbacks), school supplies, cosmetics, personal care/grooming products, jewelry, cigarettes, automobiles and gasoline.

Surprisingly, while teen purchasing power is on the upswing, the teen population is, in fact, declining. The latest Census Bureau statistics show that Americans between the ages of 13 and 19 represent only 12% of the total United States population of 229.3 billion vs. their 13.7% share of 1975 population of 215.5 billion. Of the total teen population, 39.7% fall between 13 and 15 years of age while 60.3% are between 16 and 19.

What teenage girls spend on[1]

Category	Annual Expenditure*
Apparel	$13,544,000
Health & beauty aids	4,893,000
Footwear	3,031,000
Movies & entertainment	2,592,000
Snacks	2,192,000
Records	1,198,000
Jewelry	1,191,000

[1]1982 estimated expenditures.
**000 have been omitted.*
Source: *Seventeen* magazine

Even though both age groups demonstrate considerable buying power and influence on family buying decisions, it is the older segment that accounts for more spending due to independent incomes. The number of teens working today is significantly higher than previous generations. Current statistics show that four billion teens are employed part-time (working less than 35 hours a week). Since these teens have little or no financial commitments, they have more disposable income.

Furthermore, The Rand Survey notes that teens also influence parents considerably on product purchases. Two-thirds of the teens polled said they personally urged parents to buy specific products for the home and family.

"The College Market," a study

conducted by Belden Associates, a research and marketing organization for CASS Student Advertising, polled 507 students from 25 universities throughout the United States and found that they are earning and spending more than ever. The study, which was conducted in February '82, showed:

- An average $224 per month is spent on entertainment, snacks and beverages, up from $100 in 1975
- 47% of the students reported their discretionary income came from their own job or income
- 89% have a checking account
- 64% have a savings account
- 25% have a department store credit card
- 19% have a Visa credit card

What are teens buying? A top scorer for teens is entertainment—including stereos, (see chart), televisions, electronic games, records, tapes, cameras, movies and books—followed closely by apparel (see chart) and personal care products. No longer just a BTS and holiday season shopper, retailers are crediting added sales throughout the year to increased teen spending.

Even though retailers polled were hard pressed to say what per cent of sales could be attributed to teens, other than the soft lines areas, all agreed that the buying clout of this consumer group has expanded significantly. Furthermore, while the types of advertising merchants use to attract this young shopper differ, the time periods for advertising tend to be identical. Back-to-school leads the way with the Christmas and Easter selling seasons right behind. While some stores rely on in-store promotions—fashion shows, how-to classes and seminars—to encourage teen spending, others choose to sell the store as a complete center for all teen needs in their advertisements. Department and specialty stores in particular, zero in on the special events and in-store promotions to capture teens' attention.

Michael Feuer, vice president of marketing for Fabri-Centers of America, the Ohio-based fabric spe-

Supermarkets reflect teen likes

	Per cent*
Good quality	14.2
Convenient	13.7
Cleanliness	13.5
Reasonable prices	11.9
Sales/specials	8.3
Good fresh produce/fruits/vegetables	8.0
Good service	6.6
Organized/can find things easily	5.9
Good meat selection	5.6
Know the people who work there	5.4
Nice atmosphere	5.2
Coupons	4.9
Many brands/name brands	4.8
Fast service/fast checkout	4.0
Clear aisles/a lot of room	2.0
All others	22.3

**Adds up to more than 100% due to multiple responses.*
Source: *Seventeen* magazine

'Reading it' sells teens

***Magazine inserts** are K mart's strategy for reaching teens.*

☐ "Our primary method for reaching the teen audience is magazines and radio ads rather than newspapers," says Susan McKelvey of Troy, Mich.-based K mart.

In the August issue of *Teen* magazine, K mart used a new strategy to catch the eyes of teen readers. A 12-page, all-color insert (5½ in. by 7½ in.) featured not only apparel—jeans, skirts, jackets and activewear—but accessories and small electrics such as clock radios, tape recorders and hand-held hair dryers, along with three full pages devoted to brand-name cosmetics. While some of the apparel was branded (N'est-ce pas? and Wrangler), the majority was not.

Like K mart, Sears concentrates its advertising to teens on radio and in magazines. A highly successful example of matching the merchandise to the audience is Sears' Cheryl Tiegs Sportswear line. Air time on youth-oriented radio stations, along with regular ads in magazines like *Glamour* and *Seventeen* has contributed substantially to the success of the line. "Our promotion of the Tiegs line has secured a solid teen customer base," says a chain spokesman.

Although television is often regarded as the best way to reach today's TV-weened teens, a survey conducted for CASS Student Advertising by Belden Associates shows otherwise. "The College Market" poll questioned 507 college students in 25 universities across the country, and indicated that college newspapers were the most effective way to reach this customer, consistently.

Among the students, 83% reported they read their college paper within the last seven days. And while 64% said they read an issue of a daily newspaper within the last week, only 51% said they watched one hour of TV with 36% reporting they watched no TV at all. ☐

Where teens shop apparel

	Dept. store	Boutique/ specialty store	Discount store	Variety store
Dresses	62.3%	39.0%	5.6%	3.5%
Suits/coats	64.5	29.0	5.7	2.8
Sportswear	54.3	31.0	13.1	6.8
Footwear	17.5	4.4	2.9	1.7
Hosiery	30.7	5.7	16.1	6.6

Source: *Seventeen* magazine, spring apparel buying study

Where teens shop cosmetics

	Dept. store	Drug store	Discount store	Beauty salon	Variety store
Foundation	30.4%	39.8%	8.3%	4.3%	3.4%
Blusher	35.8	37.5	9.5	3.6	3.6
Mascara	26.5	49.0	11.3	1.7	4.4
Lipstick	31.9	41.0	8.3	2.8	3.4
Nail polish	23.2	51.2	13.5	2.1	5.5

Source: *Seventeen* magazine, Cosmetic Survey 1982

cialty chain, says, "We initiated a series of teen sewing classes recently and the response was good. With fewer schools offering 'elective' courses like sewing, we are acting as an educator for teens."

Woodward & Lothrop, the Washington D.C.-based department store, built a two-week promotion, "Looking Good For School," around a very popular item—video games. An Atari 400 was set up in the teen department where shoppers were able to get "hands-on experience" and a formal introduction to the system by a demonstrator. Plus, informal modeling was scheduled, twice a day, within the department.

For mass merchants like K mart and Sears, reaching the teen consumer involves promoting the store as a whole. Teen-oriented magazines, radio and newspapers score high with these merchants as they promote their ability to meet every need of this price-conscious consumer.

K mart, the Michigan-based discounter, ran a 12-page color booklet in *Teen* magazine in August. Merchandise from many departments was featured at "savings prices."

Sears, Roebuck & Co.'s 48-page newspaper insert, titled "August Carnival of Savings," led off with the first eight pages targeting the teen shopper with BTS savings in both hard and soft lines.

College students home stereo ownership

Amount paid for stereo	Stereo owners
$250 or more	90%
$300 or more	78%
$500 or more	50%
$700 or more	30%
$900 or more	22%
$1,500 or more	13%

Source: CASS Student Advertising/Belden Assoc.

Neophyte homemakers: Although teen product consumption is high, there are additional factors that have made capturing the attention of this group even more attractive to merchants. Current socioeconomic conditions have created and exposed teens to an unprecedented living environment. With more and more women working, the burden of household chores and responsibilities has shifted to all family members. Consequently, family meal planning/shopping as well as household management decisions are being made more frequently by teens. These "neophtye" homemakers find themselves in the role of decision maker and, consequently, have a considerable amount of family budget dollars at their disposal. Teens today are in a position to decide and buy not only for themselves, but for their families as well.

While one of the areas this situation frequently arises is in the family grocery shopping responsibility, teen food shopping patterns could reflect their overall demands from GM chains, as well. A survey conducted by *Seventeen* magazine revealed that 74.4% of all teens shop for family food with an average weekly expenditure of $35.32, or about 2 out of every 5 family food dollars. The conditions considered most important to teen shoppers were: good selection, variety, friendly service/people, low prices and cleanliness (see chart). While it is apparent that these consumers are both price and quality conscious, brand names, when grocery shopping, are not a priority. Many brands/brand names ranked 13th out of 17 in importance.

Teens, just developing their own shopping habits and patterns, have tremendous purchasing power.

While teens are "media-attuned," and aware of brand selections, they seem somewhat skeptical concerning the credibility of advertised products. A study by Simmons Market Research Bureau showed that only 1 in 4 agree that advertising presents a true picture of products of well-known companies. More than 40% questioned the accuracy of advertising and 1 out of 2 said they would settle for another brand if the preferred item was out of stock.

However, there are some categories where brand name merchandise seems more important—apparel and cosmetics/grooming products. When shopping for themselves, teens showed strong shopping preferences for stores that offer a selection of both current fashions and brand name merchandise. As teens are highly sensitive to trends, changing fashion styles and the latest products, they consequently shop most often in department and specialty stores (see chart). □

teenagers are beginning to buy them for themselves." Even so, most retailers agree that about 50% of sales are gift purchases.

While sales of the personal portables to teenagers are skyrocketing, sales of portable stereo radio/cassette "boom boxes" have not suffered. The market for boom boxes is relatively mature, but the units still account for more than 60% of all teen purchases of portable music machines.

Schultz doesn't expect a drop below a 50-50 split in unit sales between the two formats. Most retailers agree, but one Los Angeles dept. store buyer says increasing availability of separate speakers that can be plugged into a personal portable player may tip the scale in that direction. "I think shoppers are going to buy the most versatile unit and a set of separate speakers instead of both a boom box and a personal player," he says.

Some manufacturers have chosen to build a "slim-line" boom box with a removable personal portable player unit to appeal to this double-duty market. A store source at Macy's New York says sales have been "brisk" for the Besser MX-2 which the store sells for $90.

Until more concrete results are in, however, general merchandise chains will continue to carry a wide selection of both boom boxes and personal portables. □

***Competition for teen** dollars is resulting in selective record buying.*

Options pare sales off record volume

□ Heated-up competition for teenagers' entertainment dollars, skyrocketing prices for front-line albums and a lack of any strong theme in the music business have combined to depress record sales in what many industry observers are calling the end of an era.

But while record manufacturers bemoan tumbling sales, many general merchandisers are posting modest increases in both unit and dollar volume. Budget-priced merchandise appears to be the major factor in buoying GMer's sales. "While everybody's front-line business is down, we've more than made up for that with budget merchandise," says John Kaplan, exec vp of purchasing for the Handleman Co., a leading record rack jobber.

At Sears, record and tape buyer Chuck Cebuhar notes that "budget is becoming a very significant part of our sales." Pointing out that increasing prices for front-line records are affecting all age groups, he notes that "teens are no different, although if the item is right, then it will sell regardless of price."

Finding the right product, though, is becoming increasingly difficult. Both manufacturers and consumers are less experimental in today's tough economy. "Labels are taking fewer and fewer risks," notes Cebuhar. "At the same time, customers aren't going to go out and take a chance. Artists who have sold will continue to sell, but it will be harder for new talent to grow."

Music critics say that today's rock artists are producing some of their strongest and freshest works, but this explosion of talent is not translating into album sales. "There's no nationally recognized theme, like the 'British Invasion' of the mid-1960's," says a Los Angeles-based entertainment analyst. "The record companies are playing it safe, waiting for the next major direction in popular music to surface. The music may be great, but unless a group's albums start selling almost instantly, the record procedures won't support them."

Fewer teens are spending more money on records

Age	% of total pop. over 10		% of dollar purchases	
	1977	1980	1977	1980
10-19	23%	21%	23%	24%
20-29	21	21	37	33
30-39	14	16	18	25
40-49	12	12	11	9
50+	30	30	11	9

Source: Warner Communications Inc., Prerecorded Music Market, Consumer Survey, 1980

Not only are customers becoming more discriminating in their selection of LPs and prerecorded cassettes, but they now face more options on how to spend their entertainment money. A store source at Caldor, the New England upscale discount chain, says he has watched teenagers shifting their interest from records to video game cassettes over the past three years. "It used to be that the kids would spend hours going through the record racks," he says. "Now they spend hours trying out the latest video game."

Kaplan says that competition for the teenage dollar is resulting in more selective record purchases. "Today teens will walk out of the record department with one front-line record," he says, "where a few years ago they would come out with two or three."

This downturn in impulse purchases is backed up by the findings of a 1980 consumer survey conducted by Warner Communications Inc. When asked why they went to a record store or department, 56% of the respondents said they went "to buy a particular song or record." Browsing placed a distant second, with 8% saying they went most

often to browse.

Although teen lifestyles are constantly changing, music is an integral part of the teenage world. Teens may no longer dominate prerecorded music sales, but they remain an important consumer group accounting for nearly one-quarter of all dollars spent for records and tapes. (See chart.) □

High-power dryers appeal to teens

□ One executive for a manufacturer of a popular line of hand-held hair dryers says, "Teenagers are like everyone else when it comes to buying blow dryers . . . they're looking for price first, brand next and then features." Retailers affirm that this is right on the mark.

Regardless of the retail outlet, merchants say the bulk of their blow dryer business is done at price points below $15. Generally, mass merchants carry 12 sku's spanning the $10 to $25 price range while department stores average 13 to 14 models, priced between $12 and $30.

"[Teenagers] like a recognizable name—like the designer craze. They're into designer names and labels," adds a Midwestern department store retailer whose estimated '81 sales volume was approximately $180 million. So merchants provide items from five to six different suppliers' lines. Conair, General Electric and Sunbeam are carried by most discounters while Conair, G.E., and Clairol are shared by most department stores. Norelco, Vidal Sassoon and Shetland are other common lines the merchants overlap on.

Nonetheless, the buyer for an East Coast mass merchant with estimated 1981 volume topping $125 million says that customers will choose a less well-known manufacturer's model, with comparable features to a popular blow dryer, if the price is sharper.

When it comes to the features, retailers say the ones that draw teenagers include high wattage, compact or folding, lightweight,

***Teens look for price,** brand and then features in buying dryers.*

and variable speeds. "Teens want higher wattage—more than 1,200 watts, which is not good for their hair," says Linda Saleska, personal care buyer of the Milwaukee Boston Store. Plus, she adds, "They want the units to be lightweight."

Also important to teenagers is the look of the dryer. Several mer-

Teenagers seek blow dryers that are lightweight, compact, have high wattage and variable speeds.

chants report that teen customers want "professional" or "salon" type models. Other retailers note that the Norelco Chic line is doing nicely due to its attractive color.

Displays themselves are not enough to attract customers, say retailers. Despite some department stores move into contemporary wood fixtures that are commonly found in upscale houseware departments, most merchants use traditional gondolas. These feature display models fastened to the top shelf or a pegboard overhead, which can be plugged into an electrical strip so shoppers can test them. Boxed merchandise is on the lower shelves for self-service.

The Midwestern retailer with sales estimated at $180 million states that the category is not a very strong one to warrant special displays. However, during promos, discounters feature items on endcaps, while department stores bulk them out on the floor using the merchandise boxes as freestanding displays.

So far this year, merchants say that the hair dryer business has been soft compared with last year's figures. Per cent changes in sales volume ranged from a −5% to +5% for retailers questioned by *CSA*.

A Southeast retailer with about 20 stores blames merchants and manufacturers for emphasizing "healthier and newer" personal care items such as air purifiers, instead of blow dryers. According to this buyer and others, the hair dryer business peaked approximately two years ago and now it is mostly replacement sales.

Still, blow dryers account for 35% to 40% of the average department store's personal care sales and 20% to 30% of a mass merchant's. Turns continue to be high at four times a year because stocks are kept fairly low. And, like all classifications, monthly ads detailing sales and manufacturer's rebate offers continue to improve the day-in/day-out business. □

Iron pumping pumps up sales

□ All children are exposed to some form of sports. It's a school requirement. As the transition from required recreation to play takes place, personal preferences emerge and would-be athletes are born. Today, many of these adolescents are "pumping iron," in a manner of speaking.

According to retailers, exercise equipment—weights, work benches, stationary bikes, aerobic joggers, boxing training bags and gloves, treadmills and rowing machines—is the single fastest-growing category in their sporting goods departments.

"Build up or trimming down, that's what it's all about," says a spokesman for New York-based Times Square Stores. "Our exercise

***Teenage girls spent** $20.9 million on stationery products last year.*

boxed set of stationery," says the New England buyer. "They might consider private label, where they can get 100 sheets and 50 envelopes for $3.50, but anything much over $5 is out of the question."

For prehigh school teens, licensed products are the key to sales. Discounters report that most of their fashion stationery sales are for hot licensed items, with Garfield, Snoopy and Smurf leading the pack. "This year there are many, many good licenses," says D. E. Wassum of Henderson, N.C.-based Rose's. "In fact, there may be too many. The business is too spread out instead of being exceptionally strong on one or two characters."

But the trend toward more fashionable merchandise is growing in the discount industry. "In the past, you'd only see one or two items out of a licensed series," notes a source at a 75-unit New England regional discount chain. "Now, more complete collections are being featured. We're selling the theme instead of just an item."

The only drawback to selling complete lines, he adds, is that inventory costs can be significantly higher "particularly in a year like this one where there are eight or nine hot characters."

Most discounters report their briskest sales at the 99¢ and $1.49 price points for novelty writing tablets. And while there is some increase during the Christmas season, sales are relatively steady throughout the year. □

Fashion for less makes teens sew

□ How are more teens incorporating the latest fashions into their wardrobes for less than ready-to-wear prices? The answer: sew-it-yourself.

"We had a good spring sewing season and are confident it will continue," says a spokesman for Connecticut-based Caldor. "Although it is difficult to determine exactly what per cent of our customers are teens, those fashion patterns and fabrics that follow current RTW looks, like Gunne Sax, Prairie and Norma Kamali, are moving.

Teens are sewing more often—not only for themselves, but for others (gift items) as well.

The home sewing industry and teenagers are developing a stronger bond than ever before. Contrary to a popular myth that sewing is a "dying practice," home sewers are part of a very "price-sensitive" population, and teenagers represent a substantial percentage of this group. Besides price, some sewing industry sources suggest fit is an important factor spurring teen interest in sewing.

"Many young sewers tell us they sew due to the poor fit of off-the-rack clothing that meets their limited budget. They get a better fit for less money when they make it," says Judy Raymond, vp/advertising and promotions at McCall Patterns.

According to a recent Home Sewing and Needlecraft Survey conducted by *Seventeen* magazine, teens are sewing more often—not only for themselves, but for others (gift items) as well. The survey of 1,170 teenagers determined the following:

- Three out of 5 girls know how to sew and do by age 12
- 97.8% use a sewing machine when they sew
- 28.7% have their own machine
- 11.4% expect to acquire their own machine within the next year

- Teens sew more in the summer (44.2%) in order to replenish their back-to-school wardrobes, vs. winter (16.0%)
- Two out of 5 of these sewers made and gave gifts within the last year
- The average dollar amount spent on sewing products and accessories within the last year was $54.02
- The top-ranking stores most often shopped were fabric/specialty.

As the number of retailers offering a complete sewing department dwindles, with stores like K mart, Foley's and Macy's among the most recent pull-outs, chains maintaining complete sewing inventories report strong sales that have been helped along by young sewers.

So far this year, Oklahoma City-based T.G. & Y. reports a sales increase of 8% to 10% over 1981. A chain spokesman says, "Our strongest sellers in fabrics were eyelets, calicos, dress denims, woven shirtings and plaids—all those fabrics that reflect the contemporary 'Western/Prairie Look' sold fast."

T.G. & Y. runs an ongoing program to encourage their young sewers and, hopefully, layer additional teens on to their customer base. A twice-a-year publication issued in conjunction with Simplicity Pattern Co. is distributed to home economics teachers within a 10-mile radius of headquarters. The booklet includes color and pattern suggestions along with fabric swatches and information explaining how to work with patterns. In addition, there is a discount offer extended to home economics teachers and their students for their first class project.

Securing customer allegiance as well as dollars has become an important role for home sewing manufacturers and merchants alike. Some retailers say they are taking over the duty of teaching sewing to school-age children/teens, as school cutbacks reduce and sometimes eliminate these classes.

Michael Feuer, vice president of marketing for Fabri-Centers of America, the Ohio-based fabric-specialty chain, says, "This summer we initiated a series of teen sewing classes to build a customer we regard as important. The response was good. We think as girls discover fashion and expand their wardrobes beyond jeans, we can show them how to do it and save money."

***Besides price, fit** is a factor in spurring teen interest in sewing.*

While fashion at a savings may be enough for many, a few manufacturers are enticing teens into the sewing world with even stronger bait—money for a college education. "Create-a-Craft," a contest organized by McCall's Patterns and White & Elna Sewing Machines, offers a $5,000 grand prize college scholarship. "Teens have always been an important part of our business, but their interest in craft sewing is just developing. The contest will expose these young sewers to a new category and can help finance their education," says McCall's Judy Raymond. □

Where teens shop for sewing needs

	Per cent*
Fabric/specialty shop	57.1
Sewing center	26.5
Department store	9.5
National chain (Big 3)	8.5
Variety store	7.2
Discount store	5.5
Other	0.3
No answer	7.7

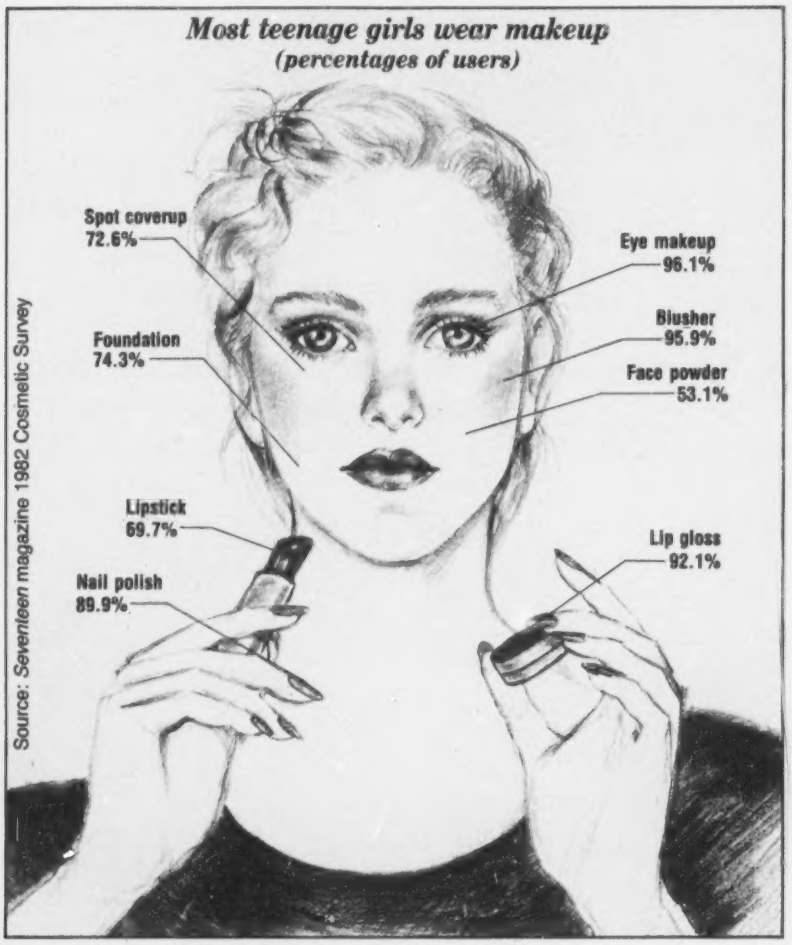
**Total exceeds 100% due to multiple responses.*

Source: *Seventeen* magazine Home Sewing and Needlecraft Survey

Teens scorn bare look in cosmetics

□ The "natural" look that swept through makeup in the 70's has disappeared without a trace, judging by today's teenaged girls' attitudes toward makeup. More than 9 out of 10 wear some form of blusher, eye makeup, lip gloss or nail polish as well as other cosmetics, according to a *Seventeen* magazine survey of teenage girls, aged 12-19, conducted earlier this year.

This age group spends almost $5 billion annually on beauty aids,



18.5% of their estimated income from earnings and allowances. That total will almost certainly go up: one-half reported to *Seventeen* that they were using more cosmetics in 1982 than they had last year.

About one-third of the girls surveyed by *Seventeen* bought their cosmetics in department stores, with roughly half shopping drug stores for these items. Teenage girls were more likely to buy cosmetics like mascara, eye shadow, lip gloss and nail polish in discount and variety stores than products such as foundation and blusher.

All of those dollars spent on beauty care mean lots of store traffic, as teenage girls need to replace their cosmetics every four to six months, with products like lip gloss and nail polish purchased more frequently. To keep that traffic coming in, and to spark impulse sales of cosmetics not immediately needed, department stores frequently run promotions.

Most common are purchase-with-purchase and gift-with-purchase offers, as well as seasonal price cuts sponsored by cosmetics manufacturers. But many department store chains also conduct their own events that tie fashion and beauty together for double-duty results.

According to a *Seventeen* survey, teen girls, 12-19, spend almost $5 billion annually on beauty aids.

Tie-ins with national magazines, such as "*Mademoiselle* On Location," prove to be popular draws with both teenagers and young working women. The May Co.-Los Angeles and Chicago's Marshall Field's both sponsor *Mademoiselle*'s annual makeover events in-store, which draw 300-500 high school and college students, says Field's Kris Hansen. Promotions of individual cosmetics lines, when tied in with the magazine visits, she continues, boost traffic and sales "incredibly."

Sanger-Harris has created its own event aimed at teens as well as younger girls. Two programs, "Poise for Preteens" and "Beauty Spectrum"—aimed at 6-9 year olds and 13-16 year olds, respectively—are held three times a year in the store. For $35, girls attending the six-week courses learn about makeup and hair styling, charm, poise, beauty, dieting and exercise. Experts from local beauty salons or from Sanger-Harris' cosmetics department give grooming tips.

Besides the immediate gratification of increased store traffic and short-term sales boosts, promos aimed at teens help to develop teen shopping loyalties. According to the *Seventeen* study, significant brand loyalty evolves during the teens. Store loyalties also form then.

Or earlier. While many chains aim their promotional thrusts at the junior segment (the 13-plus girl), Boscov's of Reading, Pa., starts at a younger age, as does Sanger-Harris with its poise classes. Preteens, says Albert Boscov, president of the promotional department store chain bearing his name, start asserting their tastes by age 10—and when it comes to cosmetics, they go for the same lines older teens do, not play makeup.

But even those stores that don't specifically go after the teenage customer, like Minneapolis-based Dayton's, grab teen traffic with adult promotions. Although Dayton's target customer is the 25-40-year-old woman, says Paul F. Reich, dmm/cosmetics and accessories, cosmetic specials for Revlon and Bonne Bell pull in teenagers. Those lines, Reich points out, are the top sellers to the teenage group.

Cosmetics departments also benefit from special events aimed at the fashion-buying customer. Los Angeles-based The Broadway stages fashion shows hosted by local personalities, with styles modeled by

local high school students. An August back-to-school event, held in the juniors department in 22 of The Broadway's 41 stores, drew upward of 300 people per show, says store spokesman Moura Eggan. Drawing power for teens was provided by KISS-FM deejay Rick Dees. Flash sales results after the event proved that such traffic builders also build sales, notes Eggan. □

Video games prove lure for teenagers

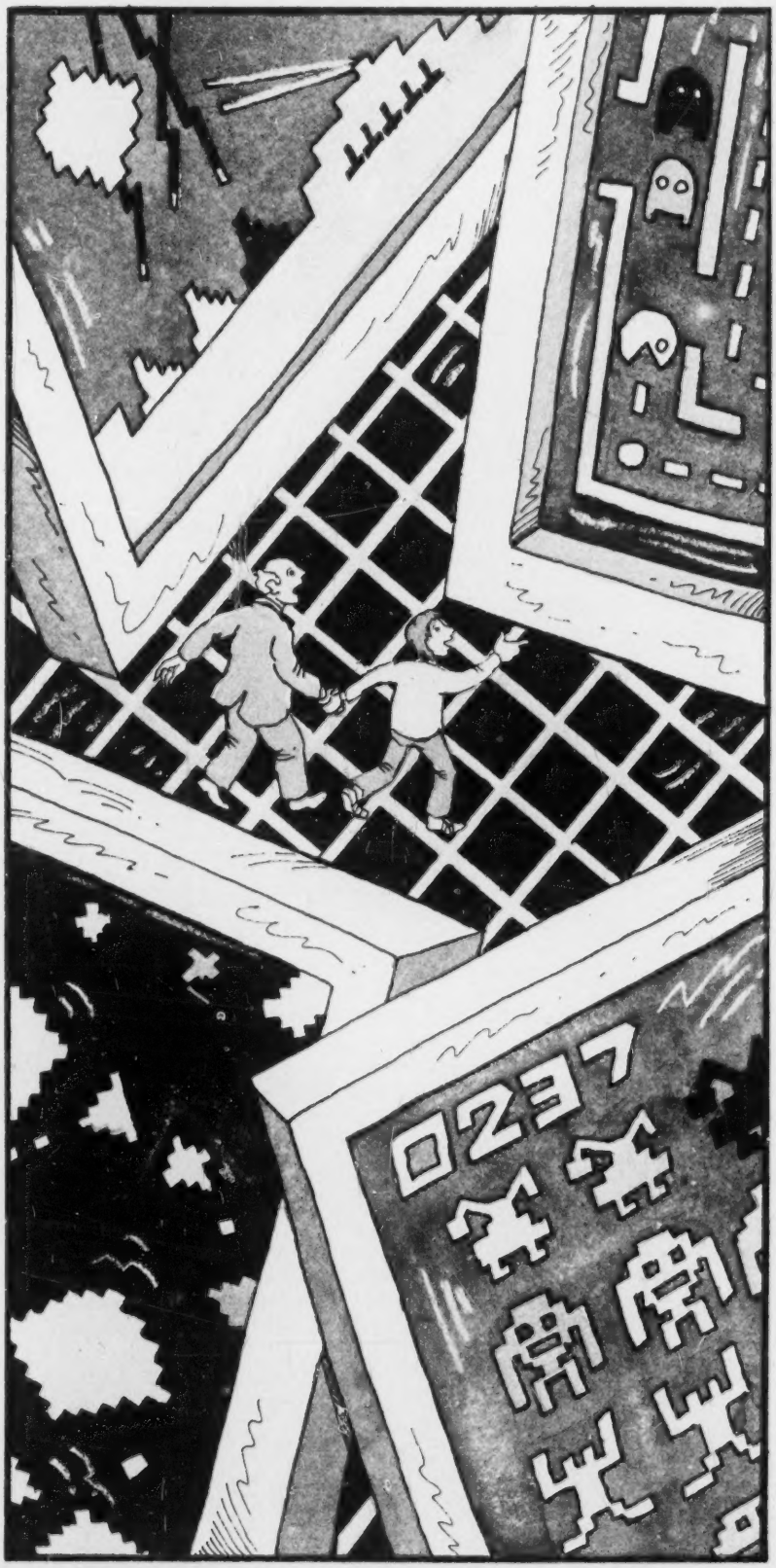
□ Demonstration models of video games set up in department and discount stores certainly attract more than their fair share of the lucrative teen market. Scarcely an hour of store time goes by that finds the demos idle. Are these same teenagers, lured to retail stores as a free arcade, also the ones responsible for the sales spurt of video games?

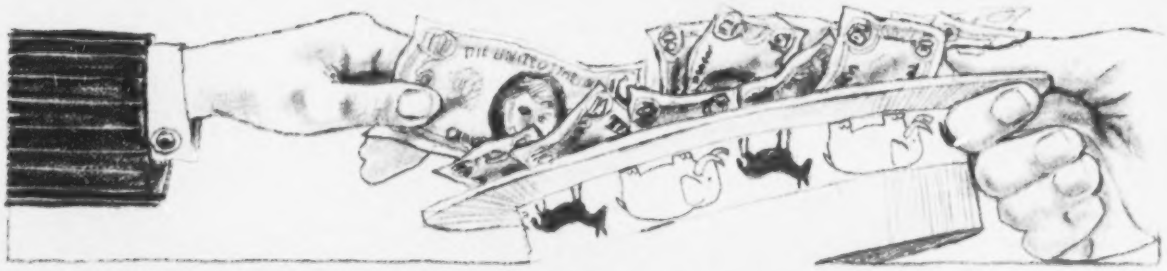
Laddie Luljak, dmm/major appliances at Houston-based Foley's, "can't see how demo models have affected sales," but he still believes a hands-on approach to selling video games is necessary. "Some people say you have to handle the goods. We let them [the kids] touch it."

Little Rock, Ark.-based Sterling Stores/Magic Mart has had an Atari unit set up on the sales floor for only two months, says Larry Carter, electronics buyer. "We're getting quite a bit of traffic even though it's new in the stores," he says. Carter feels that teens are buying games in his stores as well as playing them there.

Bob Flowers, electronics buyer at Henderson, N.C.-headquartered Rose's, acknowledges "it's hard to judge" if kids are buying. However, he feels that "when kids go into the stores and play with the games, they go home and tell their parents what to buy."

Teenagers have a lot of clout when it comes to deciding what to buy. Two-thirds of the teens surveyed in a Rand Youth Research Institute poll, "Teen Age Economic Power," maintained they personally urged their parents to buy products for the home, with their persuasive





Retailers funnel political support

☐ Political fund-raising groups organized by several of the nation's largest general merchandisers will be able to funnel more than $250,000 to pro-industry candidates in this fall's congressional elections.

An exclusive *CSA* analysis of GM industry political fund-raising activity found that "Political Action Committees" (PACs) established by Sears and Penney as well as a number of key discount and department store chains have already contributed more than $150,000 to Federal candidates since the '80 elections.

As of mid-July—the most recent Federal Election Commission reporting deadline for industry PACs—chain political fund-raising groups still had more than $120,000 in their campaign war chests for the '82 House and Senate races.

Here's where the chain campaign money is going

PAC sponsor	$ Contributions to:*		# Of contributions to:	
	DEMS.	GOP	DEMS.	GOP
Carter Hawley	$ 1,200	$ 1,700	1	3
Dayton Hudson	650	2,350	3	8
Federated	18,125	14,470	53	50
G. C. Murphy	400	200	1	1
J. C. Penney	37,800	23,500	65	61
K mart	900	0	3	0
May	0	0	0	0
Sears	12,700	43,750	39	129
Wal-Mart	0	0	0	0
TRADE ASSOCIATIONS				
Assoc. of General Merchandise Chains	0	200	0	1
National Mass Retailing Institute	100	0	1	0
TOTALS:	$71,875	$86,170	166	253

**U.S. Congressional candidates only*
Source: *Chain Store Age* analysis of Federal Election Commission records

Who's who in chain political fund-raising now

SPONSOR	PAC collections for '82 campaign*	$ On hand from '80 elections	PAC contributions to: Federal candidates	State candidates	Other industry PACs	Admin. costs	$ Available for '82 campaign stretch
Carter Hawley	$ 18,699	$16,466	$ 2,900	$ 0	$ 8,000	$ 563	$ 23,702
Dayton Hudson	20,725	2,715	3,000	150	0	200	20,090
Federated	35,525	12,020	32,595	0	0	4,750	10,200
G. C. Murphy	1,270	2,154	600	0	0	0	2,824
J. C. Penney	65,747	8,452	61,300	0	250	60	12,589
K mart	38,333	3,341	900	0	0	296	10,200
May	6,470	0	0	0	0	0	6,470
Sears	91,118	13,252	56,450	0	6,000	11,000	30,920
Wal-Mart	0	0	0	0	0	0	0
TRADE ASSOCIATIONS							
Association of General Merchandise Chains	1,390	970	200	0	0	0	2,160
National Mass Retailing Institute	3,000	160	100	0	0	254	2,806
TOTALS:	$282,277	$59,530	$156,045	$150	$14,250	$17,123	$121,961

**As of 7/15/82*
Source: *Chain Store Age* analysis of Federal Election Commission records

Although each of the GM PACs tracked by *CSA* researchers has been set up on a nonpartisan basis, the bulk of the industry's campaign contributions have been earmarked for Republican candidates.

Overall, the 11 industry fund-raising groups covered by the survey channeled 60% of their contributions to G.O.P. congressmen, and some GM PACs are tilted even more heavily toward Republicans.

Sears, which operates the industry's largest campaign fund-raising organization, contributed to 168 congressional candidates since the 1980 Reagan landslide—all but 29 of them Republicans.

In contrast, Federated and Penney bucked the trend, each contributing more to Democrats than Republicans.

Although PAC fund-raisers typically solicit contributions from industry execs in order to elect new pro-business faces to Congress,

CSA's analysis indicates that over 90% of the candidates receiving money from these groups are incumbent congressmen—often well-entrenched committee chairmen with relatively "safe" seats. In fact, at least half a dozen senators receiving four-figure donations from GM PACs since the '80 campaign aren't even up for re-election this year.

Typical campaign contributions from chain PACs weighed in less than $400 each, with House candidates receiving smaller amounts while senators averaged $1,000 to $2,000 in donations.

As of mid-July, the chief beneficiary of retail industry fund-raising efforts was Minnesota freshman Republican Sen. David Durenberger who received a total of more than $5,000 in contributions from Sears, Penney and Federated.

As Chairman of the Senate Intergovernmental Relations Subcommittee, Durenberger is in a position to influence a broad range of Federal regulatory policies affecting retail chains. He is battling to retain his seat against the winner of the Eugene McCarthy-Mark Dayton Democratic/Farmer Labor party primary. Dayton's family founded Dayton Department Stores.

Other senators at the top of the GM industry's contribution list this year include Senate Labor Committee Chairman Orrin Hatch (R-Utah)—$2,000; Government Affairs Committee Chairman William Roth (R-Del.)—$2,000; Texas Democrat Lloyd Bentsen, who serves on both the Finance and Joint Economic Committees—$2,500 and freshman New Jersey Democrat Bill Bradley ($2,350), who will not be up for re-election until 1985.

In contrast to the sizable campaign war chests amassed by such chains as K mart, Sears, Penney, Federated, Dayton Hudson and Carter Hawley Hale, the PACs organized by GM/discount industry trade associations are poor relations.

Since the last elections, the Association of General Merchandise Chains has collected less than $1,400 to support candidates, while the National Mass Retailing Institute raised just $3,000. □

WASHINGTON VIEWPOINT

Hidden dangers in anticounterfeiting bill

Edward T. Borda
AGMC president

□ Customers deserve genuine value for their money, every reputable merchant would agree. If a purchase turns out to be a fake rather than the real thing, both merchants and consumers suffer. Recently there have been some highly publicized instances of unscrupulous makers putting counterfeit trademark brands on products ranging from designer jeans to personal computers. Trademark holders whose names are being stolen, reacting with understandable alarm, are pushing for legislation to combat the problem.

Retailers can sympathize but should be extremely wary of the proposed solution, which overall poses dangers that far overshadow the problem it claims to address. Although it is impossible to detail all its defects in this space, in essence the proposed legislation is:

Unfair: Trademark holders would be allowed to obtain search and seizure orders for goods suspected of being counterfeit and related business records. A basic question of fairness arises since retailers whose goods are about to be seized wouldn't have to be given advance notice or a chance to be heard; even worse, the bill spells out no standards for when these unprecedented search and seizure requests would be granted.

Even a groundless counterfeit claim would generate harmful publicity and heavy legal expenses, bring at least a temporary loss of essential business records and could tie up affected merchandise until it is no longer salable. In addition, the legislation does nothing to compensate retailers for injuries from mistaken accusations, even though trademark holders can recover heavy penalties if they find misbranded goods.

Anticompetitive: The new search-and-seizure mechanism has tremendous potential to be abused in ways that restrict competition. Retailers obtain trademarked goods not only directly from manufacturers, but from a wide range of other legitimate sources. Both retailers and those suppliers would be at a great disadvantage if the search-and-seizure orders resulted in the disclosure of such trade-sensitive information.

Misplaced: Counterfeiting is often aided by trademark holders' inability or unwillingness to control their licensees, who may produce identical-appearing but unauthorized additional copies of the product. Even manufacturers admit that, because of their own quality control problems, they cannot always readily distinguish counterfeit merchandise. So why should retailers who are not parties to counterfeit schemes bear the brunt of enforcement? And the new proposal's draconian antiretailer provisions could be used in infringement squabbles among trademark holders, not just against sales of outright counterfeit.

Unneeded: Current law already provides remedies that could be used more effectively against the cause of the problem: the actual counterfeiters.

With their own reputations and trademarks to protect, retailers are not unmindful of the counterfeiting problem. Unfortunately, the hidden dangers of the current legislative proposal could harm our industry without reaching the true culprits. □

Ed Borda is president of the Association of General Merchandise Chains. As AGMC president, he is an active lobbyist on matters of interest to chain retailers. Washington Viewpoint appears as an added feature in the Government Affairs section of Chain Store Age—General Merchandise Edition.

Recession lowers dept. store income

The recession has finally caught up with the department store.

While discount chains, in quarters past, suffered the effects of the recession to a greater extent than their bigger sisters, such was not the case in the second quarter of '82.

The seven biggest department store companies posted a combined earnings decline of 9.3% vs. a 1.4% increase for seven of the largest discount chains.

Department stores benefited and were hurt by acquisitions made last year. Allied's income dropped 29.6%, while Associated Dry Goods' soared by 57.3%. Federated income plummeted by 40.7%, due mainly to sluggish sales increases in several of its Sunbelt department stores, slower tourist business in Bloomingdale's and Burdines, and higher interest costs.

First-quarter signs that upper-end customers were beginning to cut back on purchases grew stronger in the last period. Sales increases in department stores, despite heavy promotions, were not high enough to offset higher operating expenses.

For the discount stores, the big news is K mart managed to break into the black for the first time in 11 quarters. Woolworth continued to be plagued by its Woolco division, while Zayre's revitalized discount operation contributed to its better performance.

Specialty stores recorded better earnings, with Cole National significantly improved from a sharper Child World operation.

Tough 2nd qtr. depresses dept. stores; specialists excel

	2nd Quarter (000 omitted)			1st Half (000 omitted)		
	'81	'82	% change	'81	'82	% change
Penney	44,000	50,000	+ 36.4	94,000	112,000	+ 19.1
Sears[1,2]	70,500	80,500	+ 14.2	16,000	63,400	+296.3
Ward	(28,000)	(27,000)	—	(75,000)	(71,000)	—
Subtotal	**86,500**	**113,500**	**+ 31.2**	**35,000**	**104,400**	**+198.3**
K mart	56,800	60,700	+ 6.9	91,300	66,500	– 27.2
G. C. Murphy	1,353	1,895	+ 40.1	2,849	1,958	– 31.3
Rose's	589	1,048	+ 77.9	2,499	2,463	– 1.4
SCOA (Hills)	1,929	2,435	+ 26.2	2,879	3,349	+ 16.3
Wal-Mart	16,581	23,763	+ 43.3	30,004	41,947	+ 39.8
Woolworth[1]	4,000	(8,000)	—	(1,000)	(23,000)	—
Zayre	1,964	2,563	+ 30.5	2,321	4,595	+ 98.0
Subtotal	**83,216**	**84,404**	**+ 1.4**	**130,852**	**97,812**	**– 25.2**
Allied	7,231	5,093	– 29.6	19,830	7,462	– 62.4
Associated Dry Goods	3,333	5,244	+ 57.3	7,683	5,713	– 25.6
Carter Hawley Hale	7,141	1,735	– 75.7	13,286	7,012	– 47.2
Dayton Hudson[3]	17,985	26,310	+ 46.3	31,515	42,794	+ 35.8
Federated	36,214	21,493	– 40.7	76,942	50,626	– 34.2
May Co.	19,894	20,560	+ 3.3	36,216	32,150	– 11.2
Mercantile	8,170	10,220	+ 25.1	16,018	18,922	+ 18.1
Subtotal	**99,968**	**90,655**	**– 9.3**	**201,490**	**164,679**	**– 18.3**
Cole National	68	450	+561.8	(1,600)	(465)	—
Oshman's	1,674	1,292	– 22.8	2,119	1,021	– 51.8
Toys "R" Us	3,221	4,431	+ 37.6	3,839	6,947	+ 81.0
Subtotal	**4,963**	**6,173**	**+ 24.4**	**4,358**	**7,503**	**+ 72.2**
The Gap	(421)	811	—	488	1,374	+181.6
The Limited	3,739	5,255	+ 40.5	7,112	9,497	+ 33.5
Miller Wohl	3,749	2,705	– 27.8	8,089	7,034	– 13.0
Subtotal	**7,067**	**8,771**	**+ 24.1**	**15,689**	**17,905**	**+ 14.1**
Total	**281,714**	**303,503**	**+ 7.7**	**387,389**	**392,299**	**+ 1.3**

[1]Consolidated operations only
[2]U.S. merchandising only
[3]Continuing operations only
( ) indicates loss

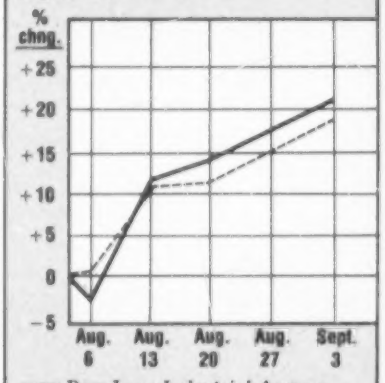
Source: *CSA* research

Retail stocks pace record bull market

Retail stocks have traditionally led the stock market upward and the late August bull market was no exception. While the Dow Jones Industrial Average chalked up a stunning 17.52% gain in just three weeks to close at 925.13 on Sept. 3, the 14 retail stocks tracked by *CSA* shot up 23.97%.

GM stocks outpace 'super bull' market

Closing prices for Dow Jones Industrial Average and 14 GM chains based on change from Aug. 6, 1982



Source: *CSA* research

"Retailers have steadily outperformed the overall market for two years," says Goldman Sachs analyst Joe Ellis, "but now they appear to be nearing the top end of their value vis a vis the market."

Where retail stocks will stand in six months is anybody's guess, but for now execs must be pleased.

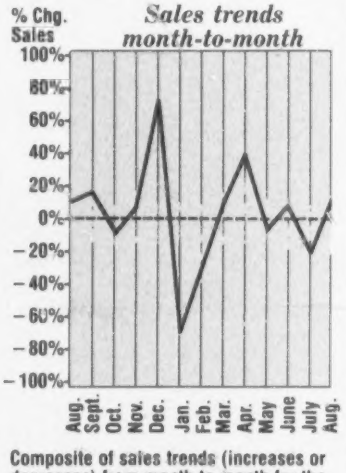
Correction

In the August '82 "Retailers play mating game" article, we incorrectly stated that The Sample in Buffalo was having financial difficulties and was Sibley's (the former Hengerer's) major competition. The Sample was not in financial difficulty. Sibley's primary competition in the downtown Buffalo area is Sattler's.

August sales lag despite tax cut

The expected upturn in retail sales for August failed to materialize despite the 10% Federal income tax cut and plummeting inflation. In fact, two-thirds of the chains tracked by *CSA* saw their year-to-date gains dragged down by August results.

The total 3% sales increase for the month failed even to match the general merchandise inflation rate of approximately 4%. Of the six chains that improved their year-to-date position, diversified retailers fared best as a group. Federated, Dayton Hudson and May Dept. Stores all reported a higher August sales growth rate than their six-month growth rate.



Composite of sales trends (increases or decreases) from month to month for the 18 retail companies tracked by *CSA*.

Only one discount chain posted a substantially higher growth rate in August. Zayre's exceptionally strong 24.6% increase for the month's sales raised the chain's year-to-date increase a full percentage point, to 18.3%, from its six-month increase of 17.3%. Wal-Mart led all chains with an August gain of 31%, but this was well below the discounter's 46.7% year-to-date increase.

The poor performance in August has turned normally optimistic retailers into doubting Thomases concerning year-end results. "The consumer simply isn't responding," says Bernard M. Fauber, chmn and ceo of K mart. "I see no reason to believe September will be much better."

Howard Goldfeder, chmn and ceo of Federated, says that, "It is still too soon to tell whether the decline in interest rates and other relatively positive news about the economy noted in recent weeks will restore consumer confidence sufficiently to induce sustained sales gains."

Merrill Lynch analyst Jeffrey Feiner notes that "unemployment is probably the key determinant to any improvement in consumer confidence." With the national unemployment figure hovering around 10%, and no sharp decline in sight, sales could remain sluggish throughout the rest of the year.

One bright spot has been the relative strength of department store sales. Although projections have been low all year, most stores are staying on track.

Sales chill in dog days of August

MAJOR CHAINS	% change	AUG. SALES* 1982	AUG. SALES* 1981	STORES 1982	STORES 1981	7-MO. SALES* 1982	7-MO. SALES* 1981	% change
SEARS[1]	+ 0.7	1,539,308	1,528,802	847	856	10,861,784	10,685,952	+ 1.6
PENNEY	− 2.2	938,000	959,000	2,059	2,120	6,034,000	6,095,000	− 1.0
WARD[1]	− 5.3	409,629	432,389	388	406	2,930,351	3,071,581	− 4.6
FEDERATED[2]	+ 9.8	472,500	430,300	471	N/A	3,167,500	2,938,400	+ 7.8
DAYTON HUDSON	+15.9	423,436	365,319	928	880	2,727,397	2,390,019	+14.1
MAY DEPT. STORES	+ 5.5	261,000	247,300	1,342	1,225	1,787,500	1,712,900	+ 4.4
CARTER HAWLEY HALE	+ 2.3	198,000	193,500	771	N/A	1,485,600	1,411,400	+ 5.3
MERCANTILE	+11.5	114,930	103,068	84	83	702,397	629,962	+11.5
K MART	− 4.3	1,187,037	1,240,275	2,394	2,332	8,939,162	8,599,874	+ 3.9
WOOLWORTH	+ 1.4	542,016	534,400	N/A	N/A	3,887,899	3,815,522	+ 1.9
HOUSEHOLD MERCH.[2,3,5]	− 0.7	244,753	246,344	3,806	3,923	1,625,456	1,631,421	− 0.4
WAL-MART	+31.0	283,000	216,000	520	460	1,737,000	1,184,000	+46.7
T.G. & Y.	+ 8.7	173,806	159,934	927	927	1,131,932	1,040,618	+ 8.8
ZAYRE[4]	+24.6	169,464	135,989	609	559	1,084,718	916,602	+18.3
MURPHY	+ 3.0	56,112	54,489	427	441	445,362	424,465	+ 4.9
ROSE'S	+ 7.9	58,714	54,432	237	235	352,654	322,824	+ 9.2
MELVILLE	+15.6	274,348	237,310	5,377	4,997	1,863,496	1,572,560	+18.5
TANDY	+20.1	177,515	147,773	N/A	N/A	1,144,244	961,089	+19.1
EDISON BROS.	− 4.8	72,391	76,068	2,129	2,030	561,299	581,341	− 3.4
TOTALS & AVERAGES	+ 3.0	7,422,153	7,202,758			51,337,819	48,944,912	+ 4.9

**000 omitted. N.C. = no change. N/A = not available.*
[1]Store number for full-line outlets only. [2]Plus 2,833 franchise stores (vs. 2,934 a year ago). [3]Includes T.G. & Y. sales. [4]Includes 265 Zayre stores (vs. 252 a year ago), 265 Hit or Miss stores (vs. 253) and 79 T. J. Maxx stores (vs. 54). [5]Excludes supermarket sales.

Sears tops among student card holders

Sears seems to be building a solid franchise among college students if credit card possession is any barometer. Montgomery Ward, however, did not fare as well.

A survey conducted by Dallas-based Belden Assoc. for Cass Student Advertising, showed 20% of the college students polled own a Sears credit card, 10% a J. C. Penney and 4% a Montgomery Ward card. Of those planning to apply for a card within a year, 20% said Sears and 9% Penney. Montgomery Ward did not appear in the "will apply" results.

Among bank cardholders, 19% own Visa, 17% MasterCard. Of those planning to apply, 37% said Visa and 28% MasterCard. Only 8% said they owned American Express, but 14% planned to apply.